

LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: No sales. Next MNU by January 26th.

Current Sales: **2019** sales: **corn** 10 - 50% **soybeans** 100% **wheat** 50%
2020 sales: **corn** 10 - 25% **soybeans** 50 - 100% **wheat** 33%

Technical Plus: All grains need to find support to stand on, after the trade sold the fact of the U.S./China Phase 1 signing. **Mar20 corn** blew through \$3.85 support yesterday, posting a low trade of \$3.752. This looks like an exhaustion break, too far, too fast after today's sharp recovery. A longer term uptrend line shows support at \$3.726. Today's recovery, closing back over its \$3.824 and \$3.85 support levels, was extremely positive. Mar20's triple top at \$3.92 is meant to be broken. A short term downtrend line goes through \$3.90 today. **Mar20 soybeans** held support at \$9.20 today, posting a hook reversal higher by closing at \$9.296. Lack of rains in some areas in South America and Argentina will help soybeans find their footing. **Mar20 K.C. wheat** collapsed yesterday, falling over \$0.14 and closing at \$4.846. Today, price fell to a new low for the move of \$4.804, but closed higher at \$4.942; posting a hook reversal higher and holding the longer term uptrend line. Next week will be critical for all grains to hold current support levels to show strong, underlying support by the Funds.

China & Key Phrasing: This appears to be the key phrasing that Funds are now pointing to, "If China fails to comply, the US can impose or re-impose tariffs, but China cannot retaliate with tariffs, however China can leave the agreement...."

What can China buy? History shows China bought \$124B in Ag Products in 2018. There is no reason they can't buy \$40B in 2020 of Ag Products, targeting grains, meats & ethanol. Reports suggest it will take 30 days before we see much buying in the weekly export sales reports. This falls in line with our thoughts that China will "build" into this. We don't mind slow, steady and increasing. That would limit the flow of money between the U.S & China. Such a move by the U.S. could devastate China's economy. That's Trump exercising Quid Pro Quo again, threatening China with possible capital controls. Telling China you have to do this, if we do that, is illegal; from what we have heard in the House Impeachment Proceedings. This apparently scared China into the 2-year Phase 1 agreement. Specifically mentioned has been ethanol and DDGs; maybe \$1B - \$2B. This makes sense since China has abandoned its ethanol mandate.

Mexico & Ethanol: Maybe a bigger negative to the corn market yesterday was the announcement that Mexico's Supreme Court is taking away a permit that had allowed Pemex, as well as other companies, to produce gasoline with a 10% blend of ethanol. This ruling goes into effect in 180 days, after which, the blend rate falls to 5.8%. The vote was 4-1 in favor of this injunction, which was granted at the request of former presidential candidate Gabriel Quadri. Which raises the question if someone controls their Supreme Court? If the U.S. would request a different ruling, would the U.S. request overrule the request of Gabriel Quadri?

South America: Weather in South America is now everything to the trade, next to export sales. We noted a change was coming to the weather patterns mid-January, with that shift in fact occurring. The dry areas are getting rains now. Northern and eastern Brazil will see ever increasing, monsoonal type rains. These areas hold Brazil's early harvested soybeans, where harvest has already begun. These rains would serve to only delay their harvest, which may have an outside chance of throwing a few Chinese purchases to the U.S. What we are watching for is how heavy these rains become. The wetter Brazil, the dryer Argentina. In fact, these rainfall events are north of Southern Brazil, an area that has been running a moisture deficit. That's Mato Grosso, which also produces over 40% of Brazil's 2nd crop corn and has seen less than 70% of normal precipitation over the last month. The wetter northern and eastern Brazil becomes the last half of January, the drier southern Brazil and northern Argentina become.

Corn: Viewing exports, from December 12th to today, they had been decreasing: 1.71 mmts, 625k mts, 531k mts, 162k mts, ending this week with a jump to 785k mts. This week's report showing 785k mts was 31 mb, which is what's needed to meet USDA's current forecast for U.S. exports. Unfortunately, U.S. corn exports fell in the 2nd & 3rd quarter. Total commitments are running at 41% vs their 5-year average of 57%. Total commitments are down 42% from a year ago and are at the smallest % of the current USDA forecast on record. To corn's benefit is the U.S. FOB corn prices, which are \$10 to \$15/mt cheaper than either Argentina or Brazil, and \$4/mt cheaper than Ukraine. Export sales need to pick up to 40-50 mb/week, or over 1 mmts, to get ahead of the normally lower export sales pace that occurs in the 2nd and 3rd quarters in 2020.

Beans: Export sales for soybeans have been running strong; 26 mb in this week's report vs 20 mb needed. Total commitments stand at 1.12 bb, ahead of last year, 14% of USDA's 5 year average, and accounts for 63% of USDA's current forecast. To meet USDA's numbers going forward, export sales need to average 20.3 mb. This would be the highest weekly average in 20 years. As U.S. soybean sales begin lagging in the 2nd & 3rd quarters, sales need to stay above 30 mb this quarter and into the 2nd quarter to net out above 20 mb. China will need to step up.

Wheat: Exports for wheat have done much better this year than last. This week's report showed 24 mb vs 12 mb needed. These are the largest sales since 2011 and have pushed total commitments to 74% of USDA's forecast. GFS models show the next 2 weeks especially wet for the Southern Plains, helping set the stage for U.S. HRW crop emerging under much more favorable conditions. Supportive forces in wheat remain unchanged, with production and logistical issues still present. What has been pushing wheat prices are the supplies of wheat from major exporters. Their stocks/use ratio has fallen to under 15%; under 10% if you exclude Black Sea wheat exporters. This is historically very tight; tightest since 2012/2013.

2020 Acres: **Keep this in mind when price 2019 and 2020 grains!!** A total of 16.67 ma didn't get planted in 2019. Every state lost acres except MT, WY, UT, NV, KY, PA, NH & ME. SD dropped the most at 3.484 ma, IL 1.35 m & MN 1.13 m. Fear how many of these acres go to corn and soybeans when pricing 2019 and 2020 production. With new crop corn over \$4.00, farmers will plant more; 93 – 94 ma. Soybeans will bounce back, rising back to 84 – 85 ma.